

January 21, 2015

Tesla Motors Inc.

Our Take on Elon's 2020 Profit Comment: Is Tesla the Amazon of EVs?

Industry View	Stock Rating	Price Target
Cautious	Overweight	\$280.00

We believe Elon meant what he said about potentially no US GAAP profitability before 2020. Growth and ambition may expose Tesla to risks investors have not prepared for. We cut our target to \$280 on FX and lower shipments in China. The reality check in sentiment offers a nice chance to buy the dip.

What's Changed?	From:	To:
Tesla Motors Inc.		
Price Target	\$290.00	\$280.00

Tesla is feeling pressure from 3 different sources: (1) Falling oil price, (2) stronger US dollar and (3) questions about the long-term earnings trajectory. In our opinion, lower prices for fossil fuel and in particular \$2/gallon gasoline play against the economic rationale of electric vehicles, at least on some categorical level. For sure, Tesla's current customer base is not buying a Model S on economic grounds, but expectations of a far lower priced vehicle are impacted. The market appears to have rapidly caught up to this concern. Please see our note '[TSLA, Oil, and the Model 3](#)' from Dec 17, 2014.

Tesla has significant transaction exposure to a stronger dollar. We believe earnings estimates may need to take into consideration the impact of the stronger US\$ on Tesla's forecasts. Consider that more than one half of Tesla's revenues are non-US with an entirely US-based production complex (excluding CKD assembly in the Netherlands) exposing the company to transaction impact of weaker foreign currencies. For example, we estimate W. Europe will account for nearly 30% of Tesla's unit volume in 2015. All else equal, a 10% weakening of the Euro vs. USD could impact a full year's pretax profit by an order of magnitude as high as \$100mm (excluding hedging). At this time, we have taken out \$70mm from our OP forecast for 2015 (\$20mm in 4Q14 and a further additive \$50mm in 2015) to reflect the stronger USD. **If you have not made a negative FX adjustment to your Tesla numbers... you really should.**

Elon's Detroit auto comments raise many strategic questions and deserve further exploration. During a Q&A session at a media event in Detroit last week, Tesla CEO Elon Musk made reference to achieving US GAAP profitability by the year 2020. By comparison, on our forecasts, we see Tesla achieving nearly \$1.6bn of US GAAP profit by 2020. Granted, Elon's comments may imply level of leasing penetration and employee stock compensation different from our forecasts. Or perhaps they include a level of capital

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Tesla Motors Inc. (TSLA.O , TSLA US)

Autos & Auto-Related / United States of America

Stock Rating	Overweight
Industry View	Cautious
Price target	\$280.00
Shr price, close (Jan 20, 2015)	\$191.93
Mkt cap, curr (mm)	\$23,997
52-Week Range	\$291.42-162.40

Fiscal Year Ending	12/13	12/14e	12/15e	12/16e
EPS (\$)***	0.75	0.30	1.58	2.84
Prior EPS (\$)***	-	0.73	2.45	3.65
Consensus EPS (\$)§	0.64	0.60	2.76	5.61
ModelWare EPS (\$)§	(0.53)	(1.92)	(0.44)	0.48
Prior ModelWare EPS (\$)	-	(1.55)	0.32	1.16

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

*** = Based on consensus methodology

§ = Consensus data is provided by Thomson Reuters Estimates

e = Morgan Stanley Research estimates

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expenditure and R&D spending vastly in excess of our forecasts as the company pursues 'millions of units' of vehicle sales annually by 2025. Our forecasts, by comparison, are based on 563k complete annual unit sales by 2025. Perhaps Elon's comments were made to send a defiant message in the face of the falling oil price that it is not giving up on its mission to bring electric mobility to the masses. ***In any case, for a stock where many untested long-term earnings and growth assumptions must be made to value the company, the comments take the tone of forecast uncertainty to entirely new levels.***

Cutting our 4Q volume and ATP forecast to reflect hiccup in China

ramp. Price target reduced to \$280 from \$290; we are buyers at these levels. Just last month, we had reduced our price to \$290 from \$320

previously. We have cut our 4Q volume forecast to 9,993 units from 11,165 units, taking full year volume to 31,814 units, or more than 1,000 below the company's FY target. This change, along with \$20mm of FX headwinds (and lower ATPs) takes our 4Q gross margin assumption to 28.0% from 29.6% previously. Our 4Q forecast includes \$20mm of regulatory credits (ZEV + GHG). We believe market sentiment around Tesla's success as a mass market auto company is in a healthier alignment today than just 3 or 4 months ago. There has been a lot written about how Tesla's advancement of electric mobility can make the internal combustion engine 'obsolete' in just a few years. We firmly disagree and don't need such an outcome to make Tesla a good investment today. We can justify nearly 50% upside to Tesla shares without having to make such an implied bet on breakthroughs in the cost/benefit of electric propulsion.

Reiterate Overweight

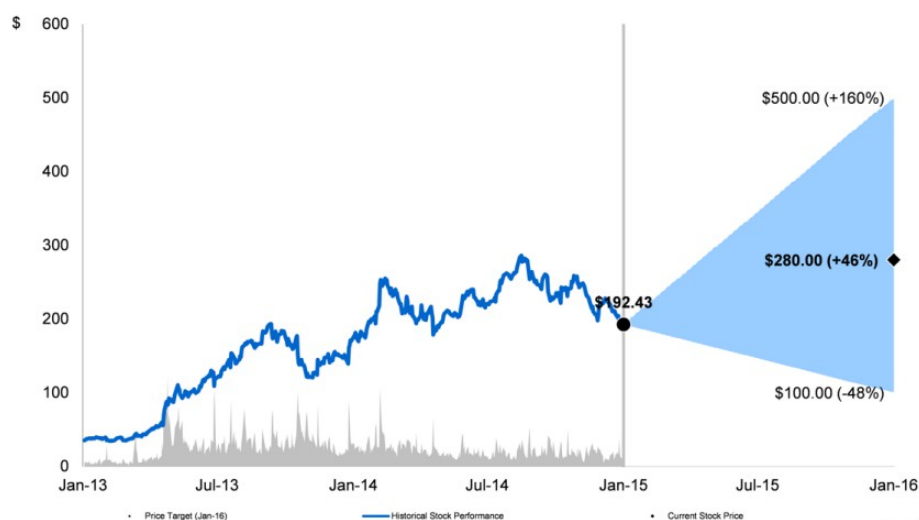
Key differences between our Overweight thesis and the Street. Consensus sees significant mass market volume potential based on breakthroughs in battery costs from gigafactory production. We see substantially smaller unit volume potential for the Model 3 barring a cost/performance battery breakthrough while anticipating rapidly improving competing internal combustion technology eventually approaching a 100 mpg level when applying optimal boosting, timing, hybridization, weight reduction and autonomous features. That said, our 15-year DCF is based on best-in-class profitability (15.5% OP margins at exit) and an exit EBITDA multiple of 10x which gives the company credit for significant out-year growth as an automaker and/or optionality to exploit other business opportunities such as electricity grid storage.

Lower mass market EV potential makes execution on Model X even more important to the Tesla story through 2015. Our total TSLA unit forecast by 2029 of 800k units implies around 67 basis points of global market share and a company with production output of less than 2 large auto plants. Seen another way, by 2029, we forecast TSLA volume will be around one-fifth or one-sixth that of what we anticipate the BMW Group will achieve in the same year. While this is an excellent accomplishment, we do not view 67bps as a disruptive level of market share. Tesla is in an excellent position to take advantage of opportunities to be more significant of a player than this, but we are not basing our earnings forecasts or valuation on this opportunity at the present time.

Reiterate OW rating on Tesla Motors, as we see it as an excellent risk-reward for those not holding their breath for mass market EV glory. We feel much better about TSLA as a stock on our lowered volume expectations at a \$190 price point than when it was trading closer to \$290 on higher volume assumptions. We don't just see Tesla as a bet on the adoption of high-performance EVs, but rather as arguably the best positioned auto company in the world in its ability to commercialize advanced software driven, connected car technologies at a faster, more innovative pace than its peers. We continue to believe Tesla represents a superior risk-adjusted return relative to the average US auto stock under our coverage.

Risk-Reward

We view Tesla Motors as a niche player in a fast growing, highly profitable market for premium performance vehicles. We expect the Model S to be a commercially successful product that can trigger even greater volumes of Model X and its derivatives. While our longer-term forecast for xEVs (plug-in-hybrids or PHEVs and pure EVs) is highly dependent on technological advancement, EV powertrain cost reduction, rising oil prices and continued government support, our thesis and valuation do not require TSLA to achieve mass market status via a democratization of EVs. Our \$280 PT (based on a 15-year DCF) offers sufficient upside to justify an OW rating within the context of risk-adjusted return relative to other N. American stocks under our coverage.



Source: Thomson Reuters, Morgan Stanley Research

Price Target \$280

We argue Tesla cannot be valued on near-term multiple metrics like traditional auto companies given that we expect Tesla to multiply revenues by more than 3x from 2014 to 2018, 6x by 2020 and around 16x by 2029. We have thus chosen a 15-year time horizon for our DCF which captures the full maturation of the Model S, Model X (and top-hat derivatives) and also the ramp up of its mass market electric vehicle (the Gen 3). We have applied an 11% WACC with a range of 9% to 13%. The terminal value, calculated on a midpoint of 10x EV/EBITDA accounts for roughly 50% of the total DCF value across the range of methodologies we have applied to arrive at our PT of \$280.

Bull \$500

Battery economies of scale create material disruption in premium car market with larger inroads into grid storage and 3rd party battery supply. Higher volume assumptions than our base case (>1m units of Model S, X and 3 by 2029) and an exit EBITDA multiple of 20x to allow for non-auto revenue stream from a full-scale battery production with manufacturing costs near or \$100/kWh at the pack level.

Investment Thesis

- Initial reception to the Model S by customers, prospective customers and auto media has been strongly positive in terms of performance attributes.
- The sale of regulatory credits could provide a recurring cash flow stream significant enough to fund the entirety of Tesla's annual capex needs through the foreseeable future.
- Optionality to subsequent model introductions (Model X, Gen 3) to take the sales towards far greater volume.
- Expansion into mass production of lithium-ion battery packs opens up the potential for a far wider array of adjacent revenue opportunities.

Potential Catalysts

- Continued model S roll-out into Europe and Asia.
- Model X announcements leading up to 3Q 2015 launch.
- Gigafactory announcements

Key Investment Risks

- Investors should allow a reasonable level of execution risk on the many unprecedented innovations brought to market on the Model X including never-been-done-before attributes like the double-ringed doors.
- Tesla is guaranteeing the value of its Model S in a lease-finance transaction, exposing the company to residual value risks 39 months out.
- Volatility in commodity prices such as oil materially change the economic benefits of electric vehicles, particularly when commercialized at lower price points and higher volumes.
- Expansion into non-auto business like grid/solar energy storage exposes Tesla's operations to untested cost, competitive and regulatory forces.
- US dealer franchise laws that may prevent TSLA from operating its own stores.

Base	\$280	Successful commercialization of Model S, X and Gen 3 with combined volume surpassing 800k units by 2029. A thriving company with OP margins normalizing at 15.5%. A successful Model S and X with combined volume of ~140k units by 2020. Gen 3 volume reaching 150k units by 2020 and 430k by 2029. 3.8% OP margin reached in 2015, peaking at 15.5% by 2029. Our valuation includes \$10 for regulatory credits.
Bear	\$100	Tesla limited to niche premium brand status. A thriving, but small, company with OP margins normalizing at 10%. A successful Model S and X with combined volume over 70k units by 2020. Gen 3 volume reaching 100k units by 2020 and 300k by 2029. Valuation excludes any further benefits from the sale of ZEV credits.

Valuation Methodology: We argue Tesla cannot be valued on near-term multiple metrics like traditional auto companies given that we expect Tesla to multiply revenues by more than 3x from 2014 to 2018, 6x by 2020, and around 16x by 2029. We have thus chosen a 15-year time horizon for our DCF which captures the full maturation of the Model S, Model X (and top-hat derivatives) and also the ramp up of its mass market electric vehicle (the Gen 3). We have applied a 11% WACC with a range of 9% to 13%. The terminal value, calculated on a midpoint of 10x EV/EBITDA accounts for roughly 50% of the total DCF value across the range of methodologies we have applied to arrive at our PT of \$280.

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Unit Volume	33,974	54,257	81,235	116,343	160,441	216,486	308,347	364,024	427,663	486,241	533,501	585,424	637,802	691,467	747,469	800,337
% Growth		60%	50%	43%	38%	35%	42%	18%	17%	14%	10%	10%	9%	8%	7%	7%
Automotive Revenue Per Unit (\$)	100,394	96,044	92,348	85,430	79,600	75,515	71,682	71,749	71,916	72,396	73,107	73,832	74,360	74,770	75,092	75,589
% Growth		-4%	-4%	-7%	-7%	-5%	-5%	0%	0%	1%	1%	1%	1%	1%	0%	1%
Automotive Sales	3,562	5,391	7,694	10,103	12,920	16,510	22,278	26,291	30,919	35,365	39,155	43,391	47,579	51,833	56,271	60,649
Development Service Sales	16	16	17	18	19	20	21	22	23	24	25	27	28	29	31	32
Total Sales	3,577	5,408	7,712	10,121	12,939	16,530	22,299	26,313	30,942	35,389	39,181	43,417	47,607	51,862	56,302	60,688
% Growth		51%	43%	37%	28%	28%	33%	18%	18%	14%	11%	11%	10%	9%	9%	8%
EBITDA	148	497	777	1,120	1,662	2,636	3,696	4,405	5,214	5,702	6,402	7,176	8,428	9,296	10,225	11,185
% Margin	4.1%	9.2%	10.1%	11.1%	12.8%	15.9%	16.6%	16.7%	16.9%	16.1%	16.3%	16.5%	17.7%	17.9%	18.2%	18.4%
D&A	234	421	503	611	668	684	851	888	887	939	999	1,097	1,333	1,574	1,735	1,907
% of Capex	25%	56%	67%	65%	80%	93%	109%	91%	100%	88%	88%	71%	71%	74%	82%	83%
EBIT	(86)	76	274	508	949	1,952	2,845	3,517	4,328	4,762	5,402	6,079	7,095	7,722	8,490	9,278
% Margin	-2.4%	1.4%	3.5%	5.0%	7.7%	11.8%	12.8%	13.4%	14.0%	13.5%	13.8%	14.0%	14.9%	14.9%	15.1%	15.3%
Net Interest Income (Expense)	(23)	(3)	7	7	52	64	101	150	212	283	360	437	530	630	752	886
Other Income	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pretax Income	(107)	73	281	515	1,046	2,016	2,946	3,667	4,540	5,045	5,763	6,517	7,626	8,353	9,242	10,164
Income Taxes	6	0	6	20	53	178	434	575	809	870	1,086	1,254	1,517	1,720	1,945	2,167
% Effective Rate	-5%	0%	2%	4%	5%	9%	13%	16%	18%	17%	19%	19%	20%	21%	21%	21%
Net Income	(112)	73	275	495	993	1,838	2,512	3,092	3,731	4,175	4,677	5,263	6,109	6,632	7,297	7,997
Plus:																
After-tax Interest Expense (Income)	23	3	(7)	(7)	(52)	(64)	(101)	(150)	(212)	(282)	(359)	(437)	(529)	(629)	(750)	(884)
Depreciation of PP&E	234	421	503	611	668	684	851	888	887	939	999	1,097	1,333	1,574	1,735	1,907
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less:																
Change in Working Capital	163															

Source: Company Data, Morgan Stanley Research

Exhibit 2: Tesla: DCF Fair Value Analysis Based on Various Terminal Value Methodologies

EV/EBITDA Terminal Value

Exit EBITDA Multiple

Discount Rate

PV of 1st Year Cash Flow

PV of Cash Flows 2 thru 15

Terminal Value

PV of Terminal Value

Enterprise Value

% Value in Terminus

% Value in Cash Flows

8.0		
9.0%	11.0%	13.0%
(192)	(190)	(188)
20,839	17,569	14,909
89,482	89,482	89,482
24,600	18,728	14,326
45,248	36,106	29,047
54.4%	51.9%	49.3%
45.6%	48.1%	50.7%

10.0		
9.0%	11.0%	13.0%
(192)	(190)	(188)
20,839	17,569	14,909
111,853	111,853	111,853
30,750	23,409	17,908
51,398	40,788	32,629
59.8%	57.4%	54.9%
40.2%	42.6%	45.1%

12.0		
9.0%	11.0%	13.0%
(192)	(190)	(188)
20,839	17,569	14,909
134,224	134,224	134,224
36,900	28,091	21,490
57,548	45,470	36,211
64.1%	61.8%	59.3%
35.9%	38.2%	40.7%

Enterprise Value
Equity Value Per Share

36,106	--	45,470
247	--	311

EV/Sales Terminal Value

Exit EV/Sales Multiple

Discount Rate

PV of 1st Year Cash Flow

PV of Cash Flows 2 thru 15

Terminal Value

PV of Terminal Value

Enterprise Value

% Value in Terminus

% Value in Cash Flows

130%		
9.0%	11.0%	13.0%
(192)	(190)	(188)
20,839	17,569	14,909
78,886	78,886	78,886
21,687	16,510	12,630
42,335	33,888	27,351
51.2%	48.7%	46.2%
48.8%	51.3%	53.8%

155%		
9.0%	11.0%	13.0%
(192)	(190)	(188)
20,839	17,569	14,909
94,056	94,056	94,056
25,858	19,685	15,059
46,505	37,063	29,780
55.6%	53.1%	50.6%
44.4%	46.9%	49.4%

180%		
9.0%	11.0%	13.0%
(192)	(190)	(188)
20,839	17,569	14,909
109,227	109,227	109,227
30,028	22,860	17,488
50,676	40,238	32,208
59.3%	56.8%	54.3%
40.7%	43.2%	45.7%

Implied Exit EBITDA Multiple

7.7

9.2

10.7

Implied Perpetual Growth Rate

2.4%

3.7%

4.6%

Enterprise Value
Equity Value Per Share

33,888	--	40,238
232	--	275

Perpetual Growth Terminal Value

Perpetual Growth Rate

Discount Rate

Implied Exit EBITDA Multiple

PV of 1st Year Cash Flow

PV of Cash Flows 2 thru 15

Terminal Value

PV of Terminal Value

Enterprise Value

% Value in Terminus

% Value in Cash Flows

3.0%		
9.0%	11.0%	13.0%
11.0	8.3	6.7
(192)	(190)	(188)
20,839	17,569	14,909
122,959	93,023	75,067
33,803	19,468	12,018
54,451	36,847	26,739
62.1%	52.8%	44.9%
37.9%	47.2%	55.1%

4.0%		
9.0%	11.0%	13.0%
13.3	9.6	7.5
(192)	(190)	(188)
20,839	17,569	14,909
149,033	107,363	84,227
40,972	22,470	13,485
61,619	39,848	28,206
66.5%	56.4%	47.8%
33.5%	43.6%	52.2%

5.0%		
9.0%	11.0%	13.0%
16.8	11.3	8.6
(192)	(190)	(188)
20,839	17,569	14,909
188,177	126,491	95,680
51,733	26,473	15,319
72,380	43,851	30,039
71.5%	60.4%	51.0%
28.5%	39.6%	49.0%

Enterprise Value
Equity Value Per Share

36,847	--	43,851
252	--	300

Source: Company Data, Morgan Stanley Research

Model Snapshot

Exhibit 3: TSLA Revenue Drivers

Revenue Drivers	FY 2012	1Q13	2Q13	3Q13	4Q13	FY 2013	1Q14	2Q14	3Q14	4Q14E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E
Unit Volume															
Roadster	371	15	15	15	11	56	-	-	-	-	-	-	-	800	2,000
Growth	-59.5%	-84.8%	-83.1%	-77.9%	-26.7%	-79.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NM	150.0%
Model S	2,653	4,900	5,150	5,500	6,892	22,442	6,457	7,579	7,785	9,993	31,814	46,449	52,023	57,225	54,364
Growth						745.9%	31.8%	47.2%	41.5%	45.0%	41.8%	46.0%	12.0%	10.0%	-5.0%
Model X (+ Derivatives)	-	-	-	-	-	-	-	-	-	-	-	5,000	25,000	42,000	54,600
Growth												NM	400.0%	68.0%	30.0%
Model 3	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000	40,000
Growth														NM	300.0%
Powertrain	1,500	450	450	450	450	1,800	450	450	450	450	2,160	2,808	4,212	6,318	9,477
Growth	-11.8%	50.0%	50.0%	12.5%	-10.0%	20.0%	0.0%	0.0%	0.0%	0.0%	20.0%	30.0%	50.0%	50.0%	50.0%
Total Units	4,424	5,365	5,615	5,965	7,353	24,298	6,907	8,029	8,235	10,443	33,974	54,257	61,235	116,343	160,441
Growth	86.7%	1244.6%	1272.9%	727.3%	154.0%	449.2%	28.7%	43.0%	38.1%	42.0%	39.8%	59.7%	49.7%	43.2%	37.9%
Total Vehicle Sales	2,924	4,915	5,165	5,515	6,903	22,498	6,457	7,579	7,785	9,993	31,814	51,449	77,023	110,025	150,964
Growth	337.1%	4864.6%	4638.5%	1618.1%	188.2%	669.4%	31.4%	46.7%	41.2%	44.8%	41.4%	61.7%	49.7%	42.8%	37.2%
ATP (excl. ZEV/GHG)															
Roadster	171,555	165,168	147,190	157,689	156,112	164,781	-	-	-	-	-	-	-	131,239	133,864
Growth	12.8%	-1.0%	-1.0%	-1.0%	-1.0%	-3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-23.5%	2.0%
Model S	116,039	92,511	90,073	102,386	105,526	98,369	105,961	106,532	103,475	103,000	104,563	99,000	96,000	94,000	92,000
Growth							14.6%	16.3%	1.1%	-2.4%	6.3%	-5.3%	-3.0%	-2.1%	-2.1%
Model X (+ Derivatives)	-	-	-	-	-	-	-	-	-	-	-	105,000	95,000	87,000	88,740
Growth													-9.5%	-8.4%	2.0%
Model 3	-	-	-	-	-	-	-	-	-	-	-	-	-	60,000	58,800
Growth															-2.0%
Powertrain	20,903	32,044	29,478	28,655	30,776	29,269	35,249	32,426	31,521	33,853	38,997	31,198	31,510	31,825	32,143
Growth	-24.2%	608.4%	58.2%	10.0%	10.0%	40.0%	10.0%	10.0%	10.0%	10.0%	33.2%	-20.0%	1.0%	1.0%	1.0%
Average ATP	87,183	87,643	85,369	96,963	101,027	93,403	101,372	102,378	99,543	100,021	100,394	96,044	92,348	85,430	79,600
Growth	39.0%	95.6%	67.7%	42.4%	11.9%	7.1%	15.7%	19.9%	2.7%	-1.0%	7.5%	-4.3%	-3.8%	-7.5%	-6.8%
Average Vehicle ATP	121,185	92,733	90,239	102,537	105,606	98,534	105,981	106,532	103,475	103,000	104,563	99,583	95,675	88,508	82,579
Growth	-20.3%	-44.4%	-35.4%	-14.9%	2.2%	-18.7%	14.3%	18.1%	0.9%	-2.5%	6.1%	-4.8%	-3.9%	-7.5%	-6.7%
Non-GAAP Revenues															
ZEV/GHG credit revenue per unit (\$)	13,851	17,294	13,359	4,352	2,173	8,579	1,858	3,431	11,946	2,001	4,746	3,500	2,500	1,500	1,000
ZEV/GHG credit revenue (\$m)	41	85	69	24	15	193	12	26	93	20	151	180	193	165	151
Roadster	46	3	2	2	2	9	-	-	-	-	-	-	-	105	268
Growth	-54.3%	-84.7%	-83.4%	-79.9%	-27.4%	-80.2%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	NM	NM	NM	155.0%
Model S	308	538	533	587	742	2,400	696	833	899	1,049	3,478	4,761	5,124	5,465	5,056
Growth							29.4%	56.5%	53.1%	41.4%	44.9%	36.9%	7.6%	6.6%	-7.5%
Model X (+ Derivatives)	-	-	-	-	-	-	-	-	-	-	-	543	2,438	3,717	4,900
Growth												NM	349.3%	52.5%	31.8%
Model 3	-	-	-	-	-	-	-	-	-	-	-	-	-	615	2,392
Growth															288.9%
Powertrain / Other	31	14	13	12	13	53	15	23	31	15	84	88	133	201	305
Growth	-33.1%	962.6%	137.3%	15.2%	-7.1%	68.0%	4.0%	73.4%	158.3%	17.2%	59.9%	4.0%	51.5%	51.5%	51.5%
Total Automotive Revenues	386	555	548	601	757	2,462	711	856	930	1,065	3,562	5,391	7,694	10,103	12,920
Growth	159.6%	2784.9%	2386.4%	1102.3%	157.1%	538.3%	28.1%	56.2%	54.6%	40.6%	44.7%	51.4%	42.7%	31.3%	27.9%
Developmental Services Sales	28	7	4	1	4	16	2	1	3	10	16	16	17	18	19
Growth	-50.5%	-39.7%	-21.6%	1319.8%	-63.5%	-43.0%	-73.7%	-69.3%	143.0%	128.9%	5.0%	5.0%	5.0%	5.0%	5.0%
Total Tesla Revenue (Non-GAAP)	413	562	553	603	761	2,478	713	858	932	1,075	3,577	5,408	7,712	10,121	12,939
Growth	102.3%	1762.3%	1970.9%	1102.6%	148.5%	499.5%	26.9%	55.4%	54.7%	41.1%	44.4%	51.2%	42.6%	31.2%	27.8%
GAAP Revenues															
Model S Deferred Lease Revenue			147	171	148	464	93	88	81	269	530	1,000	1,471	1,759	2,453
Total Automotive Revenues	386	555	402	430	611	1,998	619	768	849	795	3,031	4,391	6,224	8,344	10,467
Total Tesla Revenue (GAAP)	413	562	405	431	615	2,942	621	769	852	805	4,108	4,407	6,241	8,362	10,486
GAAP Auto Gross Profit (excl. ZEV)		8	29	81	142	258	144	188	158	211	697	887	1,213	1,833	2,521
GAAP Automotive Gross Margin (excl. ZEV)	1.8%	8.7%	20.0%	23.9%	14.3%	14.3%	23.8%	25.3%	20.8%	27.2%	24.2%	20.6%	20.1%	22.4%	24.4%
GAAP Automotive Gross Profit		93	98	105	157	451	156	214	251	231	848	1,047	1,406	1,998	2,672
GAAP Automotive Gross Margin		16.8%	24.4%	24.5%	25.7%	22.6%	25.3%	27.9%	29.5%	29.0%	28.0%	23.8%	22.6%	23.9%	25.5%

Source: Company Data, Morgan Stanley Research

Exhibit 4: TSLA Non-GAAP Income Statement

Income Statement (Non-GAAP)	FY 2012	1Q13	2Q13	3Q13	4Q13	FY 2013	1Q14	2Q14	3Q14	4Q14E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E
Automotive	386	555	548	601	757	2,462	711	856	930	1,065	3,562	5,391	7,894	10,103	12,920
Growth	159.6%	2784.9%	2386.4%	1102.3%	157.1%	538.3%	-71.1%	20.4%	8.5%	14.5%	44.7%	51.4%	42.7%	31.3%	27.9%
Development services	28	7	4	1	4	16	2	1	3	10	16	16	17	18	19
Growth	-50.5%	-39.7%	-21.6%	1319.8%	-63.5%	-43.0%	-89.0%	-36.0%	152.5%	257.8%	-0.5%	5.0%	5.0%	5.0%	5.0%
Total Revenues	413	562	552	603	761	2,478	713	858	932	1,075	3,577	5,408	7,712	10,121	12,939
Growth	102.3%	1762.3%	1970.9%	1102.6%	148.5%	499.5%	-71.2%	20.3%	8.7%	15.3%	44%	51%	43%	31%	28%
Automotive COGS	372	462	431	467	570	1,930	534	624	662	769	2,589	4,216	6,067	7,827	9,753
Growth	222.3%	3214.8%	2039.3%	694.0%	104.5%	419.3%	15.5%	44.7%	41.7%	35.0%	34.1%	690.1%	876.0%	1081.6%	1168.0%
Development services COGS	12	4	1	4	5	13	3	2	1	4	11	7	9	9	10
Growth	-57.6%	-39.4%	-39.3%	NM	34.2%	15.8%	-19.5%	112.9%	-58.8%	-20.8%	-20.1%	151.0%	283.0%	511.0%	137.5%
Total COGS	383	465	432	471	575	1,944	537	626	664	773	2,600	4,223	6,095	7,836	9,763
Growth	168.9%	2232.4%	1874.0%	700.1%	103.5%	407.2%	-72.4%	16.7%	6.1%	16.5%	34%	62%	44%	29%	25%
Automotive gross profit	14	93	117	134	187	532	178	233	267	295	973	1,175	1,608	2,276	3,167
Gross margin	3.6%	16.8%	21.4%	22.3%	24.7%	21.6%	25.0%	27.2%	28.7%	27.7%	27.3%	21.8%	20.9%	22.5%	24.5%
Development services gross profit	16	3	3	(2)	(1)	2	(1)	(1)	1	6	5	9	9	9	10
Gross margin	58.2%	44.5%	70.7%	-212.6%	-15.6%	15.0%	-70.0%	-103.3%	47.0%	60.0%	31.7%	55.0%	50.0%	50.0%	50.0%
Total Gross Profit	30	96	120	132	186	534	177	232	268	301	978	1,184	1,616	2,285	3,176
Gross margin	7.3%	17.1%	21.7%	21.8%	24.5%	21.6%	24.8%	27.0%	28.8%	28.0%	27.3%	21.9%	21.0%	22.6%	24.5%
Research and Development	274	55	52	56	68	232	82	108	136	156	481	514	642	704	836
R&D/Sales	66.3%	9.8%	9.5%	9.4%	9.0%	9.4%	11.4%	12.6%	14.6%	14.5%	13.5%	9.5%	8.3%	7.0%	6.5%
SG&A	150	47	60	77	101	286	118	134	155	178	585	595	700	1,073	1,346
SG&A/Sales	36.4%	8.4%	10.9%	12.8%	13.3%	11.5%	16.5%	15.6%	16.6%	16.6%	16.4%	11.0%	9.1%	10.6%	10.4%
Operating Profit	(394)	(6)	8	(2)	16	17	(23)	(10)	(23)	(33)	(89)	76	274	508	994
Operating Margin	-95.4%	-1.0%	1.4%	-0.3%	2.2%	0.7%	-3.2%	-1.2%	-2.4%	-3.1%	-2.5%	1.4%	3.5%	5.0%	7.7%
Stock-based Compensation	50	15	19	21	28	84	37	36	39	44	155	163	167	170	173
% of Operating Expense	11.8%	14.6%	17.2%	16.1%	16.5%	16.2%	18.6%	14.8%	13.5%	13.0%	14.6%	14.7%	12.4%	9.6%	7.9%
Operating Profit (excl. Stock Comp)	(344)	9	27	20	45	100	14	26	17	10	67	239	440	678	1,168
Operating Margin	-83.3%	1.7%	4.9%	3.3%	5.8%	4.0%	2.0%	3.0%	1.8%	1.0%	1.9%	4.4%	5.7%	6.7%	9.0%
Interest income	0	0	0	0	0	0	0	0	0	1	2	33	43	43	52
Rate	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	1.5%	2.0%	2.0%	2.0%
Interest expense	0	0	18	2	6	27	3	8	7	7	25	36	36	36	-
Rate	0.0%	0.1%	12.7%	1.4%	4.2%	4.6%	0.6%	1.3%	1.2%	1.1%	1.0%	1.5%	1.5%	1.5%	1.5%
Other income (expense), net	(2)	6	18	(1)	5	28	7	(1)	3	-	2	-	-	-	-
Pretax Profit	(396)	1	7	(5)	15	18	(19)	(19)	(32)	(39)	(109)	73	281	515	1,046
Pretax Margin	-94.1%	0.1%	-3.0%	-10.9%	4.3%	-2.1%	7.0%	2.3%	1.4%	17.3%	12.8%	14.0%	11.0%	11.0%	11.0%
Provision for income taxes	0	0	0	1	1	3	1	1	4	-	6	-	6	20	53
Effective Tax Rate	0.0%	21.6%	4.1%	-16.5%	9.1%	14.2%	-4.2%	-6.2%	-11.6%	0.0%	-5.2%	0.0%	2.0%	3.9%	5.1%
Ongoing Net Income	(396)	1	7	(6)	14	16	(20)	(20)	(36)	(39)	(116)	73	275	495	993
Extraordinary gains (charges)	(396)	11	(18)	(4)	-	(12)	(9)	-	-	-	(9)	-	-	-	-
Reported Net Income	(396)	11	(11)	(10)	14	4	(29)	(20)	(36)	(39)	(124)	73	275	495	993
Basic Weighted Average Shares	108	115	118	122	123	117	123	124	124	124	123	126	131	136	140
Diluted Weighted Average Shares	108	124	131	137	123	117	140	141	143	124	137	149	154	160	166
Basic EPS	(3.66)	0.00	(0.09)	(0.05)	0.11	0.13	(0.16)	(0.16)	(0.29)	(0.32)	(0.93)	0.58	2.10	3.65	7.08
Diluted EPS Reported	(3.66)	0.09	(0.09)	(0.08)	0.11	0.03	(0.21)	(0.14)	(0.25)	(0.32)	(0.90)	0.49	1.78	3.10	6.00
Diluted EPS	(3.66)	0.00	0.06	(0.04)	0.11	0.13	(0.14)	(0.16)	(0.25)	(0.32)	(0.84)	0.49	1.78	3.10	6.00
Diluted EPS (excl. Stock Comp)	(3.29)	0.12	0.20	0.12	0.32	0.15	0.12	0.11	0.02	0.93	0.30	1.58	2.84	4.12	6.99

Source: Company Data, Morgan Stanley Research

Exhibit 5: TSLA GAAP Income Statement

Income Statement (GAAP)	FY 2012	1Q13	2Q13	3Q13	4Q13	FY 2013	1Q14	2Q14	3Q14	4Q14E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E
Automotive	386	555	402	430	611	1,998	619	768	849	795	3,031	4,391	6,224	8,344	10,467
Growth	159.6%	2784.9%	1720.7%	760.0%	107.5%	418.0%	-69.0%	24.1%	10.5%	-6.3%	51.7%	44.8%	41.7%	34.1%	25.4%
Development services	28	7	4	1	4	16	2	1	3	10	16	16	17	18	19
Growth	-50.5%	-39.7%	-21.6%	1319.8%	-63.5%	-43.0%	-89.0%	-36.0%	152.5%	257.8%	-0.5%	5.0%	5.0%	5.0%	5.0%
Total Revenues	413	562	405	431	615	2,013	621	769	852	805	3,047	4,407	6,241	8,362	10,486
Growth	102.3%	1762.3%	1420.1%	760.9%	100.8%	387.2%	-69.2%	24.0%	10.7%	-5.5%	51.3%	45%	42%	34%	25%
Automotive COGS	372	462	304	325	454	1,544	462	554	598	565	2,180	3,344	4,818	6,346	7,795
Growth	222.3%	3214.8%	1406.7%	451.9%	62.7%	315.4%	0.1%	82.5%	84.2%	24.5%	41.2%	623.0%	769.5%	960.3%	1280.3%
Development services COGS	12	4	1	4	5	13	3	2	1	4	11	7	9	9	10
Growth	-57.6%	-39.4%	-39.3%	NM	34.2%	15.8%	-19.5%	112.9%	-58.8%	-20.8%	-20.1%	151.0%	283.0%	511.0%	137.5%
Total COGS	383	465	305	328	459	1,557	465	556	600	569	2,190	3,351	4,827	6,355	7,805
Growth	168.9%	2232.4%	1291.7%	458.0%	62.4%	306.4%	-70.1%	19.5%	7.8%	-5.2%	40.7%	53%	44%	32%	23%
Automotive gross profit	14	93	98	105	157	454	156	214	251	231	852	1,047	1,406	1,998	2,672
Gross margin	3.6%	16.8%	24.4%	24.5%	25.7%	22.7%	25.3%	27.9%	29.5%	29.0%	28.1%	23.8%	22.6%	23.9%	25.5%
Development services gross profit	16	3	3	(2)	(1)	2	(1)	(1)	1	6	5	9	9	9	10
Gross margin	58.2%	44.5%	70.7%	-212.6%	-15.6%	15.0%	-70.0%	-103.3%	47.0%	60.0%	31.7%	55.0%	50.0%	50.0%	50.0%
Total Gross Profit	30	96	100	103	157	456	155	213	252	237	857	1,056	1,415	2,007	2,681
Gross margin	7.3%	17.1%	24.8%	23.8%	25.5%	22.7%	25.0%	27.7%	29.6%	29.4%	28.1%	24.0%	22.7%	24.0%	25.6%
Research and Development	274	55	52	56	68	232	82	108	136	156	481	514	642	704	836
R&D/Sales	66.3%	9.8%	12.9%	13.1%	11.1%	11.5%	13.1%	14.0%	16.0%	19.4%	15.8%	11.7%	10.3%	8.4%	8.0%
SG&A	150	47	60	77	101	286	118	134	155	178	585	595	700	1,073	1,346
SG&A/Sales	36.4%	8.4%	14.8%	17.9%	16.5%	14.2%	18.9%	17.4%	18.2%	22.1%	19.2%	13.5%	11.2%	12.8%	12.8%
Operating Profit (GAAP)	(394)	(6)	(12)	(31)	(13)	(61)	(44)	(29)	(39)	(98)	(210)	(52)	72	231	499
Operating Margin	-95.4%	-1.0%	-2.9%	-7.1%	-2.2%	-3.0%	-7.1%	-3.7%	-4.6%	-12.2%	-6.9%	-1.2%	1.2%	2.8%	4.8%
Stock-based Compensation	50	15	19	21	28	84	37	36	39	44	155	163	167	170	173
% of Operating Expense	11.8%	14.6%	17.2%	16.1%	16.5%	16.2%	18.6%	14.8%	13.5%	13.0%	14.6%	14.7%	12.4%	9.6%	7.9%
Operating Profit (excl. Stock Comp)	(344)	9	7	(9)	15	22	(7)	7	0	(55)	(54)	111	239	401	673
Operating Margin	-83.3%	1.7%	1.8%	-2.1%	2.4%	1.1%	-1.1%	0.9%	0.0%	-6.8%	-1.8%	2.5%	3.8%	4.8%	6.4%
Interest income	0	0	0	0	0	0	0	0	0	1	2	33	43	43	52
Rate	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	1.5%	2.0%	2.0%	2.0%
Interest expense	0	0	18	2	6	27	3	8	7	7	25	36	36	36	-
Rate	0.0%	0.1%	12.7%	1.4%	4.2%	4.6%	0.6%	1.3%	1.2%	1.1%	1.0%	1.5%	1.5%	1.5%	1.5%
Other income (expense), net	(2)	6	18	(1)	5	28	7	(1)	3	-	2	-	-	-	-
Pretax Profit	(396)	1	(12)	(33)	(15)	(60)	(41)	(37)	(49)	(104)	(231)	(55)	79	238	551
Pretax Margin	-95.8%	0.1%	-3.0%	-7.8%	-2.4%	-3.0%	-6.5%	-4.8%	-5.7%	-12.9%	-7.6%	-1.3%	1.3%	2.8%	5.3%
Provision for income taxes	0	0	0	1	1	3	1	1	4	-	6	-	6	20	53
Effective Tax Rate	0.0%	21.6%	-2.5%	-2.3%	-9.1%	-4.3%	-2.0%	-3.1%	-7.6%	0.0%	-2.5%	0.0%	7.2%	8.4%	9.6%
Ongoing Net Income	(396)	1	(12)	(34)	(16)	(62)	(41)	(38)	(53)	(104)	(236)	(55)	74	218	498
Extraordinary gains (charges)	(396)	11	(18)	(4)	-	(12)	(9)	-	-	-	(9)	-	-	-	-
Reported Net Income	(396)	11	(31)	(38)	(16)	(74)	(50)	(38)	(53)	(104)	(245)	(55)	74	218	498
Basic Weighted Average Shares	108	115	118	122	123	117	123	124	124	124	123	126	131	136	140
Diluted Weighted Average Shares	108	124	131	137	123	117	123	124	124	124	123	126	154	160	166
Basic EPS	(3.66)	0.00	(0.26)	(0.28)	(0.13)	(0.53)	(0.34)	(0.31)	(0.42)	(0.84)	(1.92)	(0.44)	0.56	1.61	3.55
Diluted EPS Reported	(3.66)	0.09	(0.26)	(0.32)	(0.13)	(0.63)	(0.40)	(0.31)	(0.42)	(0.84)	(1.99)	(0.44)	0.48	1.36	3.01
Diluted EPS	(3.66)	0.00	(0.10)	(0.28)	(0.13)	(0.53)	(0.34)	(0.31)	(0.42)	(0.84)	(1.92)	(0.44)	0.48	1.36	3.01
Diluted EPS (excl. Stock Comp)	(3.20)	0.12	0.05	(0.10)	0.12	0.21	0.03)	(0.01)	(0.08)	(0.49)	(0.62)	0.85	1.48	2.34	3.95

Exhibit 6: TSLA Balance Sheet

Balance Sheet	FY 2012	1Q13	2Q13	3Q13	4Q13	FY 2013	1Q14	2Q14	3Q14	4Q14E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E
Assets															
Cash & Cash Equivalents	202	214	746	795	846	846	2,394	2,675	2,371	2,171	2,171	2,131	2,110	2,556	3,171
Short Term Securities	-	-	-	-	-	-	189	-	-	-	-	-	-	-	-
Restricted Cash - Current	19	17	1	1	3	3	1	12	17	17	17	17	17	17	17
Account Receivable	27	46	114	48	49	49	72	97	157	159	159	217	291	389	460
Inventory	269	238	255	348	340	340	451	597	752	467	467	643	860	1,132	1,283
Prepaid expenses and other current assets	8	11	14	27	28	28	49	62	65	65	65	65	65	65	65
Total Current Assets	525	526	1,130	1,219	1,266	1,266	3,156	3,442	3,363	2,880	2,880	3,074	3,343	4,160	4,997
Operating lease vehicles, net	10	9	131	269	382	382	452	531	618	837	837	1,709	3,108	4,605	6,657
Property and equipment, net	552	582	596	654	738	738	849	1,036	1,404	1,684	1,684	2,012	2,445	2,670	2,737
Restricted cash	5	5	7	8	6	6	7	7	9	9	9	9	9	9	9
Other assets	22	22	24	16	24	24	36	38	43	43	43	43	43	43	43
Total Assets	1,114	1,144	1,888	2,166	2,417	2,417	4,500	5,054	5,438	5,454	5,454	6,848	8,950	11,488	14,443
Liabilities															
Accounts payable	303	304	262	302	304	304	376	444	649	530	530	780	1,124	1,393	1,711
Accrued liabilities	40	41	55	75	108	108	129	161	195	159	159	235	386	508	624
Deferred development compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	2	4	30	64	92	92	113	139	162	162	162	162	162	162	162
Capital lease obligations, current portion	4	5	6	6	8	8	8	10	10	10	10	10	10	10	10
Long-term debt, current portion	51	51	-	583	0	0	590	594	598	598	598	598	598	598	598
Customer deposits	139	131	134	140	163	163	190	228	227	144	144	104	-	-	-
Total Current Liabilities	539	536	487	1,169	675	675	1,413	1,576	1,840	1,602	1,602	1,888	2,279	2,670	2,506
Common stock warrant liability	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Convertible preferred stock warrant liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital lease obligations, less current portion	10	10	9	11	13	13	13	14	13	13	13	13	13	13	13
Deferred revenue, less current portion	3	5	68	131	181	181	211	235	254	447	447	807	1,375	1,985	2,894
Long-term debt	401	389	579	77	586	586	1,590	1,767	1,787	1,787	1,787	1,787	1,787	1,787	1,787
Other long-term liabilities	25	35	116	213	294	294	362	510	524	645	645	1,286	2,188	3,338	4,882
Total Liabilities	989	975	1,258	1,602	1,750	1,750	3,588	4,102	4,417	4,494	4,494	5,780	7,642	9,792	10,294
Equity															
Convertible preferred stock	-	-	-	-	-	-	-	-	62	62	62	62	62	62	62
Common Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Additional paid-in capital	1,190	1,223	1,714	1,687	1,807	1,807	2,101	2,204	2,284	2,328	2,328	2,491	2,657	2,827	4,782
Accumulated deficit	(1,066)	(1,054)	(1,085)	(1,123)	(1,140)	(1,140)	(1,189)	(1,251)	(1,326)	(1,430)	(1,430)	(1,485)	(1,412)	(1,194)	(696)
Total stockholders' equity (deficit)	125	169	629	564	667	667	912	952	1,020	960	960	1,068	1,308	1,696	4,149
Total Liabilities and Equity check	1,114	1,144	1,888	2,166	2,417	2,417	4,500	5,054	5,438	5,454	5,454	6,848	8,950	11,487	14,443
Total Debt	452	440	579	660	586	586	2,180	2,361	2,384	2,384	2,384	2,384	2,384	2,384	-
Net Debt (Cash)	250	225	(167)	(135)	(260)	(260)	(403)	(314)	14	213	213	253	274	(171)	(3,171)
Net Debt/EBITDA	(0.7 x)	(0.9 x)	1.3 x	4.1 x	(3.6 x)	(3.6 x)	(6.6 x)	(5.4 x)	0.2 x	8.0 x	8.0 x	0.7 x	0.5 x	(0.2 x)	(2.7 x)
Other Financial Data															
Other long-term liabilities excl. leasing residuals	25	35	43	54	54	54	54	54	54	54	54	54	54	54	54
Leasing residual liabilities	-	-	72	159	243	243	300	369	437	592	592	1,232	2,135	3,284	4,828

Source: Company Data, Morgan Stanley Research

Exhibit 7: TSLA Cash Flow Statement

Cash Flow Statement	FY 2012	1Q13	2Q13	3Q13	4Q13	FY 2013	1Q14	2Q14	3Q14	4Q14E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E
Operating Cash Flows															
Net Income (Loss)	(396)	11	(31)	(38)	(16)	(74)	(50)	(62)	(75)	(104)	(290)	(55)	74	218	498
Depreciation and amortization	29	18	22	28	38	106	44	55	65	70	234	421	503	611	668
Change in fair value of warrant liabilities	2	(11)	-	11	(11)	(11)	-	-	-	-	-	-	-	-	-
Gain on cvt notes and warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock-based compensation	50	15	20	21	25	81	37	36	39	44	155	163	167	170	173
Inventory write-downs	5	2	4	1	2	9	2	2	11	-	14	-	-	-	-
Interest on convertible notes & Others	2	0	7	(5)	20	22	10	32	27	-	68	-	-	-	-
Changes in operating assets and liabilities	43	29	(61)	85	72	125	17	(66)	(95)	141	(3)	180	172	283	613
Accounts receivable	(17)	(19)	(67)	66	(1)	(22)	(24)	(24)	(61)	(2)	(111)	(58)	(73)	(99)	(70)
Inventories and operating lease vehicles	(195)	18	(147)	(229)	(105)	(463)	(198)	(260)	(215)	66	(607)	(1,047)	(1,616)	(1,769)	(2,203)
Prepaid expenses and other current assets	1	(3)	(1)	(5)	(9)	(17)	(11)	(13)	(5)	-	(30)	-	-	-	-
Operating lease assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	(0)	0	0	(0)	(0)	(0)	0	(1)	(5)	-	(6)	-	-	-	-
Accounts payable	188	26	(32)	34	(28)	(0)	79	56	37	(120)	52	251	344	269	318
Accrued liabilities	10	1	14	19	32	67	19	32	32	(35)	47	75	152	122	116
Deferred development compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	(1)	4	89	97	78	268	50	51	41	193	335	360	568	610	909
Customer Deposits	47	(8)	3	7	23	24	35	30	6	(83)	(12)	(40)	(104)	-	-
Other long-term liabilities	10	10	81	97	82	269	67	63	76	122	328	640	903	1,149	1,544
Total Operating Cash Flow	(266)	64	(38)	102	130	258	61	(4)	(28)	150	179	709	915	1,282	1,952
Investing Cash Flows															
Acquisition of Fremont and related assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of marketable securities	25	-	-	-	-	-	-	(200)	(6)	-	(206)	-	-	-	-
Purchases of PP&E excl capital leases	(239)	(58)	(41)	(77)	(89)	(264)	(189)	(128)	(264)	(350)	(951)	(749)	(936)	(836)	(734)
Increase in restricted cash in DOE account	9	3	12	-	-	15	1	(1)	-	-	-	-	-	-	-
Increase in other restricted cash and Others	(1)	(0)	1	(1)	(0)	0	(141)	143	(2)	-	(0)	-	-	-	-
Other	-	-	-	-	-	-	-	189	-	-	189	-	-	-	-
Net cash used in investing activities	(207)	(55)	(27)	(78)	(90)	(249)	(329)	3	(292)	(350)	(968)	(749)	(936)	(836)	(734)
Financing Cash Flows															
Proceeds from issuance of common stock	221	-	415	-	-	415	-	-	-	-	-	-	-	-	-
Proceeds from issuance of cvt preferred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal paid on capital leases and other debt	(3)	(2)	(2)	4	(8)	(8)	(3)	(3)	6	-	-	-	-	-	-
Proceeds from long-term debt	176	(13)	(440)	(6)	6	(452)	-	-	(9)	-	(9)	-	-	-	-
Proceeds from cvt notes and warrants	-	-	603	178	(178)	603	2,338	(253)	603	-	2,689	-	-	-	(603)
Proceeds from exercise of stock options	25	18	37	27	13	95	36	17	37	-	90	-	-	-	-
Common stock and loan facility issuance costs	-	-	(16)	16	(17)	(17)	-	(35)	35	-	-	-	-	-	-
Other	-	-	-	(194)	194	-	(555)	555	(639)	-	(639)	-	-	-	-
Net cash provided by financing activities	420	4	597	24	11	635	1,817	281	34	-	2,132	-	-	-	(603)
Effect of exchange rate change on cash	-	-	-	-	-	-	0	(18)	-	-	(18)	-	-	-	-
Net increase in cash and cash equivalents	(53)	13	532	49	51	644	1,548	281	(304)	(200)	1,325	(40)	(21)	446	616
Cash and equivalents at beginning of period	255	202	214	746	795	202	846	2,394	2,675	2,371	846	2,171	2,110	2,110	2,556
Cash and cash equivalents at end of period	202	214	746	795	846	846	2,394	2,675	2,371	2,171	2,171	2,131	2,110	2,556	3,171
Free Cash Flow	(505)	6	(79)	26	40	(6)	(128)	(132)	(312)	(290)	(772)	(40)	(21)	446	1,218

Source: Company Data, Morgan Stanley Research

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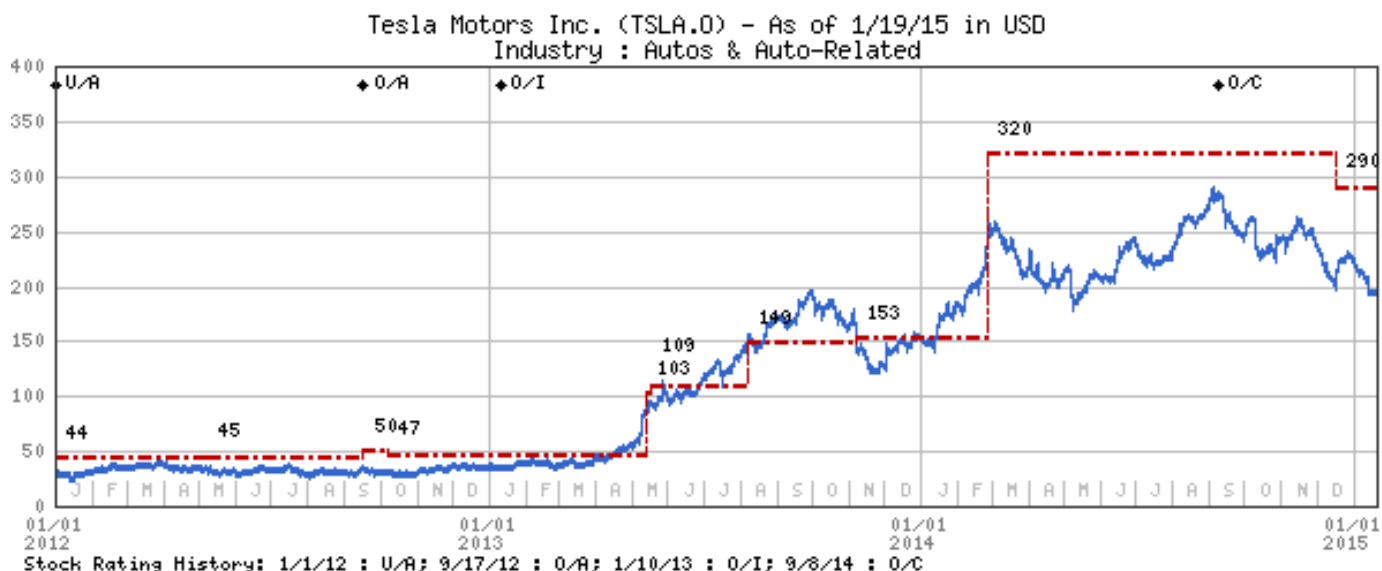
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INDUSTRY COVERAGE: Autos & Auto-Related

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/20/2015)
Adam Jonas, CFA		
Avis Budget Group Inc (CAR.O)	U (03/19/2013)	\$61.41
Fiat Chrysler Automobiles NV (FCAU.N)	O (11/04/2014)	\$12.44
Fiat Chrysler Automobiles NV (FCHAM.I)	O (10/31/2014)	€10.63
Ford Motor Company (F.N)	U (09/08/2014)	\$15.01
General Motors Company (GM.N)	U (04/09/2014)	\$33.93
Harley-Davidson Inc (HOG.N)	O (05/06/2013)	\$63.36
Hertz Global Holdings Inc (HTZ.N)	U (01/10/2013)	\$21.52
Tesla Motors Inc. (TSLA.O)	O (09/17/2012)	\$191.93
Ravi Shanker		
American Axle & Manufacturing Holdings Inc (AXL.N)	U (09/08/2011)	\$24.28
Asbury Automotive Group Inc (ABG.N)	U (09/12/2012)	\$70.68
Autoliv (ALV.N)	U (12/05/2012)	\$103.40
AutoNation Inc. (AN.N)	U (03/10/2011)	\$57.80
BorgWarner Inc. (BWAN)	O (10/22/2009)	\$52.76
Carmax Inc (KMX.N)	E (11/17/2014)	\$62.81
Dana Holding Corp. (DAN.N)	O (09/08/2011)	\$20.37
Delphi Automotive PLC (DLP.H.N)	O (04/27/2012)	\$67.47
Goodyear Tire & Rubber Company (GT.O)	U (09/06/2011)	\$24.91
Group 1 Automotive, Inc (GPI.N)	U (10/08/2013)	\$79.34
Harman International Industries Inc. (HAR.N)	U (03/05/2012)	\$97.87
Johnson Controls, Inc. (JCI.N)	U (09/30/2013)	\$45.24
Lear Corporation (LEA.N)	O (05/07/2012)	\$96.56
Lithia Motors Inc. (LAD.N)	O (10/15/2014)	\$81.49
Magna International Inc. (MGAN)	O (09/06/2011)	\$94.04
Meritor Inc (MTOR.N)	O (11/29/2011)	\$14.78
Mobileye NV (MBLY.N)	O (08/26/2014)	\$37.74
Penske Automotive Group, Inc (PAG.N)	O (09/06/2011)	\$46.62
Sonic Automotive Inc (SAH.N)	O (09/29/2014)	\$25.44
Tenneco Inc. (TEN.N)	U (09/23/2010)	\$50.43
TRW Automotive Holdings Corp. (TRW.N)	O (09/10/2010)	\$103.02

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.